



[4830-01-P]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-144468-05]

RIN 1545-BE98

Disallowance of Partnership Loss Transfers, Mandatory Basis Adjustments, Basis Reduction in Stock of a Corporate Partner, Modification of Basis Allocation Rules for Substituted Basis Transactions, Miscellaneous Provisions; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to a notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains corrections to a notice of proposed rulemaking and notice of public hearing (REG-144468-05) that was published in the **Federal Register** on Thursday, January 16, 2014. The proposed rules provide guidance on certain provisions of the American Jobs Creation Act of 2004 and conform the regulations to statutory changes in the Taxpayer Relief Act of 1997.

DATES: Written or electronic comments and requests for a public hearing for the notice of proposed rulemaking published at 79 FR 3042, January 16, 2014, are still being accepted and must be received by April 16, 2014.

FOR FURTHER INFORMATION CONTACT: Benjamin Weaver or Wendy Kribell at (202) 317-6850 (not a toll free number).

SUPPLEMENTARY INFORMATION:

Background

The notice of proposed rulemaking and notice of public hearing (REG-144468-05) that is the subject of these corrections is under sections 704, 732, 734, 743, 755, and 1502 of the Internal Revenue Code.

Need for Correction

As published, the notice of proposed rulemaking and notice of public hearing (REG-144468-05) contains errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the notice of proposed rulemaking and notice of public hearing (REG-144468-05), that was the subject of FR Doc. 2014-00649, is corrected as follows:

1. On page 3042, in the preamble, third column, thirty-third line from the top of the page, the language “3,600.” is corrected to read “3,600 hours.”.
2. On page 3042, in the preamble, third column, fortieth line from the top of the page, the language “burden: 2,700.” is corrected to read “burden: 2,700 hours.”.
3. On page 3046, in the preamble, second column, twenty-fifth line of the first full paragraph, the language “1(b)(2)(iv)(f)(“reverse section 704(c)” is corrected to read “1(b)(2)(iv)(f) or §1.704-1(b)(2)(iv)(s) (“reverse section 704(c)”.
4. On page 3052, in the preamble, second column, tenth line from the bottom of the page, the language “Questions have been raised whether the” is corrected to read “Questions have been raised regarding whether the”.

5. On page 3054, in the preamble, second column, seventh line from the top of the page, the language “by differences in the property’s adjusted” is corrected to read “by decreases in the difference between the property’s adjusted”.

6. On page 3054, in the preamble, second column, sixteenth line from the top of the page, the language “1(b)(2)(iv)(f). Thus, for example, under” is corrected to read “1(b)(2)(iv)(f) or §1.704-1(b)(2)(iv)(s). Thus, for example, under”.

§ 1.704-3 [Corrected]

7. On page 3055, third column, the second sentence of paragraph (a)(3)(ii) should read “The built-in gain is thereafter reduced by decreases in the difference between the property’s book value and adjusted tax basis (other than decreases to the property’s book value pursuant to §1.704-1(b)(2)(iv)(f) or §1.704-1(b)(2)(iv)(s)).”.

8. On page 3056, first column, the fourth sentence of paragraph (a)(3)(ii) should read “The built-in loss is thereafter reduced by decreases in the difference between the property’s adjusted tax basis and book value (other than increases to the property’s book value pursuant to §1.704-1(b)(2)(iv)(f) or §1.704-1(b)(2)(iv)(s)).”.

9. On page 3056, first column, the first sentence of paragraph (a)(6)(i) should read “The principles of this section apply with respect to property for which differences between book value and adjusted tax basis are created when a partnership revalues partnership property pursuant to § 1.704-1(b)(2)(iv)(f) or § 1.704-1(b)(2)(iv)(s) (reverse section 704(c) allocations).”.

10. On page 3056, second column, the second sentence of paragraph (f)(2)(i) should read “Section 704(c)(1)(C) property does not include a §1.752-7 liability (within the meaning of

§1.752-7(b)(3)) or property for which differences between book value and adjusted tax basis are created when a partnership revalues property pursuant to §1.704-1(b)(2)(iv)(f) or §1.704-1(b)(2)(iv)(s).”.

11. On page 3057, second column, the third sentence of paragraph (f)(3)(iii)(B)(1) should read “Regardless of whether a section 754 election is in effect or a substantial built in loss exists with respect to the transfer, the amount of any section 704(c)(1)(C) basis adjustment with respect to section 704(c)(1)(C) property to which the transferee succeeds shall be decreased by the amount of any negative section 743(b) adjustment that would be allocated to the section 704(c)(1)(C) property pursuant to the provisions of §1.755-1 if the partnership had a section 754 election in effect upon the transfer.”.

§ 1.734-2 [Corrected]

12. On page 3062, third column, the first sentence of paragraph (c)(3) Example 2. (ii) should read “A is unable to take into account A’s section 704(c)(1)(C) basis adjustment in Property 1 upon the distribution of the cash as described in paragraph (c)(2) of this section because A cannot increase the basis of cash under §1.704-3(f)(3)(v)(C).”.

§ 1.755-1 [Corrected]

13. On page 3068, third column, paragraph (b)(5)(iv)Example 4. (i) should read “A is a one-third partner in LTP. The three partners in LTP have equal interests in the capital and profits of LTP. LTP has two assets: accounts receivable with an adjusted basis of \$300 and a fair market value of \$240 and a nondepreciable capital asset with an adjusted basis of \$60 and a fair market value of \$240. A contributes its interest in LTP to UTP in a transaction described in section 721. At the time of the transfer, A’s basis in its LTP interest is \$90. Under section 723, UTP’s basis in its interest in LTP is \$90. LTP makes an election under section 754 in connection with the transfer.”.

14. On page 3068, third column, the first sentence of paragraph (b)(5)(iv)Example 4. (ii) should read “The amount of the basis adjustment under section 743(b) is the difference between UTP’s \$90 basis in its LTP interest and UTP’s share of the adjusted basis to LTP of LTP’s property.”

15. On page 3068, third column, paragraph (e)(1)(A) is redesignated as paragraph (e)(1)(i).
16. On page 3069, first column, paragraph (e)(1)(B) is redesignated as paragraph (e)(1)(ii).
17. On page 3069, first column, paragraph (e)(2), the language “(e)(1)(B)” should read “(e)(1)(ii)” wherever it appears.
18. On page 3069, first column, paragraph “(3) Example.” Is corrected to read “(3) Example.”.
19. On page 3069, first and second column, paragraph (e)(3) should read “Example. A, B, and C are equal partners in PRS, a partnership. C is a corporation. The adjusted basis and fair market value for A’s interests in PRS is \$100. PRS owns Capital Asset 1 with an adjusted basis of \$0 and a fair market value of \$100, Capital Asset 2 with an adjusted basis of \$150 and a fair market value of \$50, and stock in Corp, a corporation that is related to C under section 267(b), with an adjusted basis of \$250 and fair market value of \$150. PRS has a section 754 election in effect. PRS distributes Capital Asset 1 to A in liquidation of A’s interest in PRS. PRS will reduce the basis of its remaining assets under section 734(b) by \$100, to be allocated under section 755. Pursuant to the general rule of paragraph (c) of this section, PRS would reduce the basis of Capital Asset 2 by \$50 and the stock of Corp by \$50. However, pursuant to paragraph (e)(1)(i) of this section, the basis of the Corp stock is not adjusted. Thus, the basis of Capital Asset 2 is reduced by \$100 from \$150 to \$50.”.

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[FR Doc. 2014-08360 Filed 04/14/2014 at 8:45 am; Publication Date: 04/15/2014]